No. 89-1141

IN THE

Supreme Court of the United States

OCTOBER TERM, 1989

MINNESOTA MINING & MANUFACTURING CO.,
Petitioner,

v.

JERRE M. FREEMAN,
Respondent.

ON PETITION FOR A WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

BRIEF OF AMERICAN INTELLECTUAL PROPERTY LAW ASSOCIATION AS AMICUS CURIAE IN SUPPORT OF PETITIONER

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This amicus curiae brief is submitted in support of the petition for a writ of certiorari. Both Petitioner and Respondent have consented to the filing of this brief.

INTEREST OF THE AMICUS

The American Intellectual Property Law Association (AIPLA) is a national bar association of more than 6,000 members. Its members are attorneys whose interest and practice lie in the areas of patent, copyright, trademark, trade secret and other intellectual property law. AIPLA's members include attorneys in private practice and those employed by corporations, universities and government. Unlike many other areas of practice in which separate and distinct plaintiffs' and defendants' bars exist, most, if not all, intellectual property law attorneys represent both plaintiffs and defendants.

AIPLA is deeply concerned about the issue of national public importance in this case. Specifically, if allowed to stand, the decision below would allow the Federal Circuit, with its exclusive appellate jurisdiction in patent cases, to continue its practice of routinely vacating declaratory judgments of patent invalidity in all cases where non-infringement is found. This practice eviscerates the Declaratory Judgment Act in patent cases and violates important public policy considerations.

Because the case below was wrongly decided, because it involves an important question of federal law

which has not been, but should be, settled by this Court, and because the interests of patent litigants and those in the business community represented by our members would be directly and adversely affected if the decision below were allowed to stand, we join Petitioner in urging this Court to grant a writ of certiorari and review the procedural question presented.

QUESTION PRESENTED

After an accused patent infringer has obtained from the district court a declaratory judgment that the asserted patent is invalid, may the Federal Circuit vacate that declaration as moot solely because it has concluded that the patent has not been infringed?

SUMMARY OF ARGUMENT

The Federal Circuit routinely vacates declaratory judgments of patent invalidity whenever it has found that there is no infringement. That practice eviscerates the alleged infringer's remedy under the Declaratory Judgment Act, violates the public policy in favor of invalidating wrongfully-issued patents, and wastes the resources of litigants and the courts. Moreover, that practice finds no support in the mootness doctrine relied upon by the Federal Circuit as the basis for the practice. The practice presents a significant question of federal

law, particularly because the Federal Circuit has exclusive jurisdiction over appeals in patent cases.

ARGUMENT

I. THE QUESTION PRESENTED IS AN IMPORTANT QUESTION OF FEDERAL LAW

A. *The Federal Circuit's Practice Contravenes The Declaratory Judgment Act*

Congress enacted the Declaratory Judgment Act ("the Act") to provide a remedy to persons seeking a declaration of their rights in cases of actual controversy. 28 U.S.C. § 2201. No longer would these persons have to act at their peril or abandon their rights for fear of incurring damages. S. Rep. No. 1005, 73rd Cong., 2d. Sess. 2 (1934). The Act greatly affected patent litigation by giving alleged infringers an opportunity to adjudicate the invalidity of asserted patents. As a result, the Act curbed patentees' notoriously-abusive practice of threatening competitors with patent infringement litigation. *See Arrowhead Industrial Water, Inc. v. Ecolochem, Inc.*, 846 F.2d 731, 734-35 (Fed. Cir. 1988); E. Borchard, *Declaratory Judgments* 802-04 (2d ed. 1941).

Soon after passage of the Act, an issue arose as to whether an alleged infringer could obtain a declaratory

judgment of patent invalidity even though the court had ruled that it did not infringe. In his definitive work on declaratory judgments, Professor Borchard, a drafter of the Act, expressed the prevailing view:

> Having been forced into court by the patentee who necessarily relied on the validity of his patent, [the accused infringer] ought to be permitted to obtain an adjudication on the fundamental issue of validity – important for his present and any other products which approximate the patented device – and not be confined compulsorily and exclusively to the narrow question whether his present product infringes, regardless of his desire and demand that the patent be held invalid.

E. Borchard, *supra*, at 815. The lower courts have often followed Professor Borchard's view. *See, e.g., Dale Electronics, Inc. v. R.C.I. Electronics, Inc.*, 488 F.2d 382, 390 (1st Cir. 1973).

This Court considered the application of the Act to patent litigation in *Altvater v. Freeman*, 319 U.S. 359 (1943). In *Altvater*, the respondent sued for specific performance of a patent license agreement. Petitioners filed a counterclaim praying for, *inter alia*, a declaratory judgment of patent validity. The district court held that the petitioners were not infringing, were therefore not breaching the license, and that the patents were invalid. Accordingly, the district court dismissed the complaint

and granted the prayer of the counterclaim. The court of appeals affirmed but, on a petition for rehearing, ruled that there was no longer a justiciable controversy between the parties when it found no infringement, and thus vacated the invalidity judgment. This Court granted certiorari because of the apparent misinterpretation by the appellate court of this Court's decision in *Electrical Fittings Corp. v. Thomas & Betts Co.*, 307 U.S. 241 (1939), ruling that:

> [*Electrical Fittings*] was tried only on bill and answer. The District Court adjudged a claim of a patent valid, although it dismissed the bill for failure to prove infringement. We held that the finding of validity was immaterial to the disposition of the cause and that the winning party might appeal to obtain a reformation of the decree. To hold a patent valid if it is not infringed is to decide a hypothetical case. But the situation in the present case is quite different. *We have here not only bill and answer but a counterclaim. Though the decision of non-infringement disposes of the bill and answer, it does not dispose of the counterclaim which raises the question of validity.*

319 U.S. at 363 (emphasis added; footnote and citations omitted). *Altvater* recognized a significant difference between an alleged infringer's right to a declaratory judgment of invalidity, as involved in *Altvater*, and a mere defense of invalidity, as involved in *Electrical*

Fittings. Accordingly, this Court held that a declaratory judgment of patent invalidity may not be summarily vacated as moot *solely* because of a non-infringement finding.

The Federal Circuit's practice of routinely vacating declaratory judgments of invalidity whenever the patentee has failed to prove infringement eviscerates the Act as applied to patent litigation. Moreover, this practice is contrary to the holding of *Altvater*. The Federal Circuit's practice denies the alleged infringer the remedy of invalidating the patent unless it has first been adjudged to be an infringer. Moreover, this practice allows a patentee stripped of its patent by a declaratory judgment of invalidity to regain its patent by merely appealing the non-infringement ruling. Even if the patentee were to lose on the issue of non-infringement, the Federal Circuit's practice would resurrect the patent previously adjudged invalid.

B. *The Federal Circuit's Practice Violates Public Policy*

Wrongfully-issued patents may hinder free competition in technologies which rightfully ought to be in the public domain. *See, e.g., Lear, Inc. v. Adkins*, 395 U.S. 653, 670 (1969). To avoid this restriction, this Court has repeatedly recognized the public importance

of invalidating wrongfully-issued patents. *E.g.*, *Pope Manufacturing Co. v. Gormully*, 144 U.S. 224, 234 (1892). Indeed, this Court has noted that, as between patent validity and infringement, "validity has the greater public importance." *Sinclair & Carroll Co. v. Interchemical Corp.*, 325 U.S. 327, 330 (1945). By routinely vacating judgments declaring patents invalid without examining the judgments on the merits, the Federal Circuit routinely resurrects invalid patents, which may hinder what rightfully should be free competition.

The vacation of a patent invalidity judgment also gives the patentee a second opportunity to waste the resources of competitors and the courts in subsequent litigation. It is a well-acknowledged fact that "patent litigation is a very costly process."[1] *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*, 402 U.S. 313, 334 (1971). The expense and time spent by litigants and by district courts in adjudicating actions for declaratory judgments as to the validity of patents is wasted by the Federal Circuit's practice of vacating declaratory judgments of invalidity. A patentee's right

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[1] Petitioner claims to have spent over $700,000 in the present suit. The median cost of patent litigation through trial for the entire country is over $300,000. American Intellectual Property Law Association, *Report of Economic Survey 1989* 30 (1989).

to reassert the resurrected patent not only risks multiplying this waste in subsequent litigation, but may convince a third-party competitor not to sell products covered by the invalid patent, or may convince an alleged infringer to pay royalties under the invalid patent rather than challenge the patent's validity.[2] For this very reason, this Court held in *Blonder-Tongue* that a patentee is estopped to assert a patent once held invalid. 402 U.S. at 338.

II. THE QUESTION PRESENTED SHOULD BE SETTLED BY THIS COURT

A. *The Federal Circuit Has Adopted A Per Se Rule*

Soon after the Federal Circuit was given exclusive subject matter jurisdiction over patent appeals, 28 U.S.C. § 1295(a)(1), it began to review declaratory judgments of patent invalidity. The Federal Circuit's initial practice was almost uniform; it reviewed declaratory judgments of invalidity even after deciding

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[2] A final judgment of invalidity would free any existing licensees from the royalty obligation. *Troxel Mfg. Co. v. Schwinn Bicycle Co.*, 465 F.2d 1253, 1255 (6th Cir. 1972). The Federal Circuit's practice keeps licensees under the yoke of patent license royalties until an adjudged infringer invalidates the patent.

that there was no infringement. *See, e.g., Mannesmann Demag Corp. v. Engineered Metal Products Co.*, 793 F.2d 1279 (Fed. Cir. 1986).

On June 16, 1987, the Federal Circuit issued two decisions which dramatically altered its former practice. Those decisions held that, even where the accused infringer has obtained a declaratory judgment of invalidity, the Federal Circuit's holding of non-infringement requires that the declaratory judgment be vacated. *Vieau v. Japax, Inc.*, 823 F.2d 1510, 1517 (Fed. Cir. 1987) (invalidity is "moot"); *Fonar Corp. v. Johnson & Johnson*, 821 F.2d 627, 634 (Fed. Cir. 1987) (no "case or controversy" as to invalidity), *cert. denied*, 484 U.S. 1027 (1988).

Since then, the Federal Circuit has routinely vacated declaratory judgments of invalidity upon finding non-infringement. *See, e.g., Sun-Tek Industries, Inc. v. Kennedy Sky Lites, Inc.*, 848 F.2d 179, 183 (Fed. Cir. 1988) (validity issue "moot"), *cert. denied*, 109 S. Ct. 793 (1989); *Advance Transformer Co. v. Levinson*, 837 F.2d 1081, 1084 (Fed. Cir. 1988) (validity issue "mooted"); *Perini America, Inc. v. Paper Converting Machine Co.*, 832 F.2d 581, 584 n.1 (Fed. Cir. 1987) (validity issue "moot"). The Federal Circuit's practice of vacating

declaratory judgments of invalidity has evolved into a *per se* rule.

B. *The Federal Circuit's Rule Is Incorrect*

A controversy must be extant at all stages of appellate review, *Prieser v. Newkirk*, 422 U.S. 395, 401 (1975); that is, there must be a controversy "at the time the federal court decides the case." *Burke v. Barnes*, 479 U.S. 361, 363 (1987). At the time the Federal Circuit decided the appeal in the present case, there was a controversy. That controversy continues today, and will continue, at the very least, until there is a final, nonappealable judgment of either non-infringement or invalidity.

The Federal Circuit incorrectly assumes that its holding of non-infringement moots the claim for a declaratory judgment of patent invalidity. The controversy, however, has not come to an end "by an act of the parties, or a subsequent law." *United States v. Alaska S.S. Co.*, 253 U.S. 113, 116 (1920). The Federal Circuit has confused a "judgment in favor of a party at an intermediate stage of litigation" with "the definitive mootness of a case or controversy which ousts the jurisdiction of the federal courts and requires dismissal

of the case." *Deposit Guaranty National Bank v. Roper*, 445 U.S. 326, 335 (1980).

Apparently, the Federal Circuit now interprets this Court's *Altvater* decision as holding that the controversy that precluded vacating the declaratory judgment of invalidity depended upon the presence of either claims or devices in addition to those involved in the non-infringement finding. *See Fonar*, 821 F.2d at 634 n.2; *Vieau*, 823 F.2d at 1518 (Bennett, J., concurring). This Court in *Altvater* merely stated, however, that "the issues raised by the *present* counterclaim *were* justiciable and that the controversy between the parties did not come to an end on the dismissal of the bill for non-infringement, since their dispute went beyond the single claim and the particular accused devices involved in that suit." 319 U.S. at 363-64 (citation omitted and emphasis added). The Federal Circuit's interpretation of *Altvater* is incorrect, and the practice it derives from that interpretation conflicts with this Court's holding in *Altvater*.[3]

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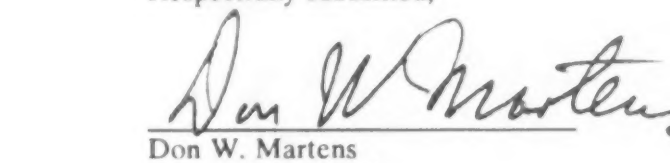
[3] Since *Vieau* and *Fonar*, the Federal Circuit has not decided a single reported case in which the validity issue survived a non-infringement holding. Indeed, as in the present case, the Federal Circuit no longer even considers whether other claims or devices exist, or whether there is any other circumstance which would provide a basis for a continuing controversy.

Prudential concerns, such as judicial economy, may lead courts to decline to decide certain issues. However, such concerns do not justify the Federal Circuit's treatment of the patent invalidity issue as moot merely because it has found the patent not infringed. As discussed, public policy requires the Federal Circuit to review declaratory judgments of invalidity on their merits. See Part IB. This Court admonished the lower federal courts to follow the "better practice" of inquiring fully into patent validity, whether or not the alleged infringer has sought a declaratory judgment of invalidity. *Sinclair*, 325 U.S. at 330. The Federal Circuit has repeated this admonition to the district courts. *See, e.g.*, *Stratoflex v. Aeroquip Corp.*, 713 F.2d 1530, 1540-41 (Fed. Cir. 1983). This Court should take this opportunity to remind the Federal Circuit of its duty to review the invalidity issue, at least in cases where it arises in the form of a declaratory judgment.

CONCLUSION

This Court should grant Petitioner's request for a writ of certiorari to review the Federal Circuit's practice of routinely vacating declaratory judgments of invalidity upon finding no infringement.

Respectfully submitted,



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